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Canada. Dominion-Provincial Relations, Royal  
Commission on, 1937

(ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS)

REPORT OF CONFERENCE WITH DR. W. IVOR JENNINGS

April 21, 1938.

REPORTERS

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OTTAWA, ONTARIO, APRIL 21, 1938.

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## ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

OTTAWA, ONTARIO, APRIL 21, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Chateau Laurier, Ottawa, Ontario, on Thursday, April 21, 1938, at 10 a.m.

PRESENT:

JOHN W. DAFOE, Esq.

Acting Chairman

DR. ROBERT ALEXANDER MacKAY)

PROFESSOR HENRY FORBES ANGUS)

Commissioners

Secretariat:

Alex. Skelton, Esq.

Wilfrid Eggleston, Esq.

Adjutor Savard, Esq.

Secretary

Assistant to the

Secretary

Secrétaire Français

REPRESENTATIONS:

Dr. W. Ivor Jennings,

Reader in English Law,  
University of London

Dr. Wynne

Carl Goldenberg, Esq.

Stewart Bates, Esq.

Dr. E. Grauer

Dr. C. T. Kraft

L. Jack, Esq.



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Room 263,  
Chateau Laurier,  
Ottawa, Ontario,  
April 21, 1938.

MORNING SESSION

The Commission met at 10. a.m.

THE CHAIRMAN: This is a purely informal meeting for the purpose of having Mr. Jennings talk to us.

Afterwards, he will give us further information which will be elicited by questions, and I should like to make clear that, the meeting being entirely informal, the gentlemen who are not members of the Commission will be free to ask questions; in fact, the purpose of the meeting will not be fully served unless they feel quite free to exercise that right. I think that is all that it is necessary for me to say at the outset. Perhaps, Mr. Jennings would like to talk to us on the basis of his memorandum, which I have not yet had an opportunity to read. We can then have some discussion. Is that satisfactory to you, Mr. Jennings?

MR. JENNINGS: Quite. I should say at the outset, that I have not attempted to draw any kind of Canadian analogies at all. I thought that possibly the best plan would be to set out the general notions about the relations between central and local finance in England and allow the Commission itself to draw its own analogies.

The problem is in many respects much simpler in England than it is in Canada. For one thing, England is much smaller, more densely populated, is richer, and has a single constitutional system. However, all I will attempt to do is to set out, more or less on the lines of what I have in the memorandum, some of the more important problems in the relation between central and local government.

The functions of English local authorities are rather wider than those of most municipal authorities in Canada. I have read some of the briefs submitted to the Commission, and I notice that they emphasize rather strongly the change in philosophy between 1867 and the



present time; but when I actually considered the powers that are being exercised as a result of that change in philosophy, what rather struck me was the rugged individualism of the Canadian system, because in many respects the English system had gone a good deal further. I need not give examples except to say that though in Canada there is the same kind of functions, I think that in England they have gone further and in greater detail. Public utility services are, to some extent at least, under greater control by public authorities, particularly local authorities.

The English system as it has developed in the course of the present century is based essentially upon the system of general authorities, because the experience at the end of the eighteenth century and in the nineteenth century was that a special authority, an ad hoc authority for a special subject, was undesirable for a number of reasons which I have given in the memorandum. In the first place, it is difficult to secure an effective system of elections if you have many different authorities. It is difficult enough to get interest in local elections in England even now. In many places there is not a vote of more than thirty per cent of the electorate. Secondly, the system is expensive, mostly because it requires a special staff and other overhead charges, and there is no kind of relation between different kinds of expenditure. Thirdly, it produces overlapping and lack of coordination.

I have given examples, the most obvious one having reference to the Poor Law before it was amalgamated with the general system in 1930. There were Poor Law schools and Poor Law hospitals at the same time as there were general schools, under the educational service, and general hospitals. The change in 1930, which I mention



later in greater detail, was partly due to a system of overlapping, because there were ad hoc or special Poor Law authorities. The shortest way in which to describe the situation is in the phrase used by Lord Goschen, just after the Royal Sanitary Commission of 1869: "A chaos of areas, a chaos of authorities and a chaos of rates."

The difficulty which we find in England about having a system of general authorities is that there is no area which is suitable for every kind of service. In the case of land drainage, water supply, and sewage, possibly the most obvious and convenient unit is the watershed. In the case of urban services, like ordinary public health services, obviously it is the town that is the most convenient unit. For purposes of municipal transport you want a fairly wide area around the town. Difficulties of that kind are overcome by one of three methods. First, there is the system of agency agreements; that is to say, one authority performs a service, by agreement, on behalf of another. There, even the agreement is put into some kind of statutory form, either in a statute or in statutory order. One local authority supplies water in bulk to a neighbouring authority. For example, Manchester draws a large water supply from the lake district and therefore has pipe lines coming right through Lancashire, and it has agreements with the local authorities on either side of the pipe line to supply water in bulk to these other authorities. Similarly, you find hospitals operated on the same basis. A county borough like Birmingham will have a substantial hospital system and a comparatively small county like Warwickshire will have agreements by which it sends sick people to hospitals in Birmingham. These are examples of agency agreement.

The second alternative is to have a system of joint



committees, that is to say, committees which are technically committees of both authorities, acting on responsibility under the control of the constituent councils.

The third is a more formal kind of arrangement by which a system of joint boards is established; that is, the function is actually delegated to the board instead of being merely referred to a committee, the constituent councils themselves acting. That is sometimes provided for by legislation.

I have added a paragraph with reference to the local administration of central services, because I gather that there is some discussion on those lines in Canada.

It has been found possible to have a central service like the administration of the rationing system during the war, in which the main administration is undertaken locally on the advice of local committees, and often the committees' members are appointed by the local authorities. Sir William Beveridge once told me, that he thought the success of the English rationing system during the war was due to the fact that they had been successful in using local advice, mostly of the local authorities themselves, by which means they got collaboration. That is done in other matters as well--war pensions, for example, and old age pensions; and the post office during recent years has delegated substantial functions to local officials, who have now during the past year received the advice of local advisory committees. The Unemployment Assistance Board, about which I shall talk later on, also operates on the same system.

I may possibly add one rather unusual case, that of certain functions in respect of agriculture, mostly agricultural research. Hertfordshire has a big agricultural research station under the control of the



agricultural committee of the county council. The agricultural committee is formed with the consent of the Minister of Agriculture; in fact, he appoints a certain number of members. You have therefore, a system which is half-way between local government and central government. The ultimate financial responsibility is upon the local authority, but there are substantial grants made in respect of agriculture by the central government, and the method of administration is therefore modified accordingly.

I am concerned here with the general authorities, the county councils, the borough councils, and the urban and rural councils. I do not know whether I ought to explain what these bodies are, Mr. Chairman.

THE CHAIRMAN: It might be well to have that.

MR. JENNINGS: The county councils are based upon the ancient units. In some cases they are subdivisions of the old kingdom of Wessex; in other cases, they are kingdoms in themselves, Anglo-Saxon kingdoms. They are very ancient units, not always corresponding exactly to the geographical county. Each of them has a county council. Excluding London, there are 83 large towns, nearly all with a population of more than 75,000. These are units for local government purposes. That is to say, the county council has no control over these 83 towns, known as county boroughs, and therefore, in a county borough, you have only one local authority, namely, the county borough council. Besides the county councils, in the others, there is at least one other authority, for part of the area. The towns inside the county in county boroughs, are organized with a mayor and corporation in the same way as the county boroughs, and are called non-county boroughs. The other urban areas are urban districts--what you would call towns--and the rest



of the county is divided into rural districts. The rural districts themselves are further divided into parishes, and the parishes have at least the parish meeting. I am not concerned however with the parishes, because they are unimportant. The result is that in a rural district a person is governed by the parish council, the rural district council and the county council. In an urban district or non-county borough, a person is governed by the urban district, the non-county borough council and the county council. In a county borough a person is governed by the county borough council only.

These three authorities derive their income from three sources. About the first I need say very little, though it is in a sense important. I mention it because, taking the country as a whole, it is the most important source of revenue; I refer to property and various kinds of services--charges for gas, water, electricity, transport, and so on. It is unnecessary to say much about this, but it approaches 40 per cent--that is the maximum--of the total income of the local authorities. It is not important to do more than mention it, because this income is practically balanced by expenditure.

My recollection is that in the last year for which statistics are available, taking the country as a whole, there was a profit of about £2,000,000, which, on an expenditure running into £350,000,000, really means nothing at all. I can therefore leave that out of consideration.

The other two sources are local taxation, which I refer to as rates, the name most familiar to me--and grants.

Taking the country as a whole, these are roughly equal. My impression is, though I cannot remember exactly,



that the rates account for about 32 per cent of the expenditure and grants for about 31 per cent of the expenditure, while the local services, the first head which I have mentioned, account for the remainder, which is something less than 40 per cent.

The actual distribution of grants varies considerably from year to year, for reasons which will become clear when I indicate the methods by which the grants are distributed. My recollection is that in some towns the percentage of grants to total expenditure is 70 per cent, whereas in others it sinks as low as 30 per cent, due mainly to the general exchequer grants, which I will refer to later on. I am not sure whether it might not be wise at this stage to take each section of the memorandum in turn.

THE CHAIRMAN: I think so.

MR. JENNINGS: So far I have dealt with only generalities.

MR. GRAUER: To what extent is there a problem of local civil service in England, the local authorities having so many functions.?

MR. JENNINGS: It is a substantial problem. There is a local civil service. It is not organized in the same way as the national civil service, but the senior officials move about from authority to authority. A man who goes into the local government service at the age of 16 or 18 or 21--sometimes university graduates are taken--expects to remain in that service for the rest of his life until he retires at the age of 60 or 65; and if he is in the administrative grade he proceeds from authority to authority. If he comes in as a medical officer, he expects to proceed from assistant medical officer to chief medical officer of health for



some big authority. It is not organized in the same way, in the sense that an examination system for the whole country has been created, but it is rapidly approaching that state, because the question has been examined by a departmental committee recently, and definite recommendations have been laid down for entry into the civil service.

MR. GRAUER: Would there be a problem in connection with political patronage?

MR. JENNINGS: There is practically none.

MR. GRAUER: They are not elected?

MR. JENNINGS: No, they are appointed.

THE CHAIRMAN: Is there a progress upward from the smaller municipal area to the larger? Do the officials secure promotion in that way?

MR. JENNINGS: Very often, yes,.

THE CHAIRMAN: They are not limited for life to the city in which they began?

MR. JENNINGS: Very definitely not. For example, the present solicitor for the London county council was, before he received that appointment, town clerk of the city of Kingston-upon-Hull. I do not know where he came from before he went there, but it is almost certain that he was town clerk to some smaller authority, then became assistant deputy town clerk in a larger authority, and so on. In the case of town clerk, the official is necessarily a lawyer. He is articled in one town and becomes assistant solicitor in another, then deputy town clerk in a third, then clerk in a fourth, and so on. It is a matter of progression around the country so far as the senior officials are concerned.

THE CHAIRMAN: I do not think there is anything comparable to that in Canada. I suppose there is the



odd occasion when a man moves from one city to another, but that situation does not prevail in Canada.

COMMISSIONER ANGUS: There is little prejudice against non-residents?

MR. JENNINGS: No. They prefer a man who is locally appointed, but there is no prejudice against outsiders.

MR. GRAUER: Are any local areas so small as to use only part-time employees?

MR. JENNINGS: In the case of medical officers, groups of authorities under the suggestion of the Ministry of Health appoint a full-time man. It is done by a scheme prepared by the county council. Most local authorities appoint full-time clerks.

MR. GRAUER: It is done by grouping in the local areas?

MR. JENNINGS: Yes, but there are few authorities so small as not to afford a permanent staff.

THE CHAIRMAN: You have never had separate elections for school boards?

MR. JENNINGS: Yes, before 1902, but they were found unsatisfactory, and they were incorporated in the general system.

THE CHAIRMAN: If you have read most of our briefs on municipal matters you will have noticed the strong protests that have come from municipal bodies against the system of having some other elected body requisition them for grants which they expect to spend. Were there any difficulties of that sort in England that led to the change?

MR. JENNINGS: Yes, there were several difficulties. In the first place, in many places you could not get candidates of sufficient quality to stand for separate bodies like school boards and boards of guardians. The



second difficulty was that of getting people interested in the elections. Where you have several elections every year, people will not vote. A third difficulty was with regard to expenditures. If you have a school board, naturally it is concerned with education only; it thinks that expenditures for education must necessarily take precedence of all other expenditures. Therefore, a school board will have no concern for the general financial position of the city; whereas, if the city council has the whole matter in its hands, it has to determine the various priorities. It has to determine how much it can spend on education this year, or how much it can spend on a new sewage system, or something of that sort. In other words, it can allocate expenditures to various services according to the needs of the moment and the financial position of the town.

THE CHAIRMAN: Has the transfer of power to the municipal bodies affected the attention given to education?

MR. JENNINGS: No; as a matter of fact, it has been much greater, since the abolition of the school board.

THE CHAIRMAN: That is a really burning question in every municipality in Canada. In my own city they have now made the school board subordinate to the city council as a result of a financial crisis. The legislature did that at a recent session.

MR. JENNINGS: The device adopted is to compel the local authority to establish a central education committee.

THE CHAIRMAN: By appointment?

MR. JENNINGS: Yes; it is merely a committee of the same kind that is appointed by the council to deal with other matters.



THE CHAIRMAN: Is the committee composed exclusively of members of the council, or do they take in outsiders?

MR. JENNINGS: In the case of education they are instructed to bring in outsiders as well, provided that two-thirds of the committee are members of the council. It is usual to bring in the headmaster of a big school and a few other people interested in education, such as the vice-chancellor of a university in the case of a university town, and other people with special qualifications. Thus the council have control.

THE CHAIRMAN: In the other cities, how are the school boards created?

MR. JENNINGS: They are under the control of the education committee in the county council, in exactly the same way as in the town.

THE CHAIRMAN: Are all schools in the county under a common authority, outside the cities?

MR. JENNINGS: Not necessarily, because in some of the urban districts and the non-county boroughs--you would call them towns--elementary education is under the control of the town council; whereas, in the case of secondary education, in which larger units are necessary, it is under the control of the county council. The number of separate authorities is comparatively small, and the really important education authorities are the county borough councils, the 83 large towns, and the county councils. Each has its education committee, which acts under the control of the council. There is the Association of Education Committees, which is an important and influential body that discusses the question of education generally.



THE CHAIRMAN: Is that nation-wide?

MR. JENNINGS: Yes. That is one example of a noticeable tendency in England, for these bodies to federate unofficially into associations which have considerable influence--I do not mean in a political sense but in a practical way. Negotiations in respect of educational matters are always dealt with between the board of education, the Association of Municipal Corporations, the county councils Association, the association of education committees, and the London County Council. That, as I say, is merely an example of a general tendency which is noticeable in other directions. For example, the problem of air-raids precautions, was discussed between the home office and the association of municipal corporations, the county council associations, the rural districts associations, and the London County Council.

THE CHAIRMAN: As regards those three governing bodies in the county--the county council, the parish council, and the municipal council, as we would call it--are their functions so clearly defined as to make for the minimum of friction?

MR. JENNINGS: Of course, there is inevitably a certain amount of friction, but their functions are reasonably well-defined, and the county council has control. Common problems are often dealt with by joint committees. For example, the question of country planning is often dealt with by the Regional Planning Committee, on which the county council is represented as well as the planning authorities.

THE CHAIRMAN: Where you have utilities that extend beyond the confines of the municipality you create a sort



of ad hoc power to deal with that particular problem.

MR. JENNINGS: That is done usually by a joint board on which the constituent authorities are represented, and the Minister of Health has the necessary power under parliamentary sanction.

THE CHAIRMAN: Then they have power to fix common rates and levy taxation?

MR. JENNINGS: No, they do not levy taxation; they issue a precept. They draw money from the constituent authorities.

THE CHAIRMAN: On the basis of some ratio?

MR. JENNINGS: Yes, it is a matter of agreement.

COMMISSIONER ANGUS: Where a local authority operates a public utility is it free to determine as a matter of policy whether that utility shall be operated at cost, or whether it shall be operated with a view to a profit?

MR. JENNINGS: It can do as it pleases. Let us now take the question of taxation--I will take grants afterwards. There is only one local tax, and that is what we call rates. It is a tax upon occupation of real estate and it is based upon the annual value of the hereditament, for which I have given the statutory definition. I might explain hereditament. It is based upon the assumption of the common law that the land includes anything which is fixed in or upon it, and therefore, if you have a block of apartment houses, for instance, any apartment in that block is a hereditament. Any interest in the land, including sporting or fishing rights or mining royalties, anything of that kind is a separate hereditament, and therefore may be separately rated. It is the occupier of the hereditament who pays the tax, and the tax is based upon the rent which



would be paid if there were an occupier.

There are certain modifications of the principle. The first, is that it is necessary to emphasize something that follows from the principle itself and not from the modification, and that is that there is no annual value, no rent if the property is unoccupied. Therefore, the process of pulling down houses on land not occupied--unoccupied houses--simply does not follow. There are no rates to pay and there is therefore no point in pulling down the houses.

There is an exception in the case of the city of London, where the owner of unoccupied property bears a portion of the taxation. Generally speaking however, that does not apply. As I say, there are certain qualifications of the general principle of rateability.

First, no local taxation is payable on agricultural hereditaments. That was originally begun by legislation in 1896, which took off one-quarter; then the legislation of 1923 took off one-half, and the legislation of 1929 abolished it altogether.

COMMISSIONER MacKAY: What was the purpose of that? Was it to encourage agriculture?

MR. JENNINGS: Yes. The point is that since 1846 agriculture has suffered very heavily by reason of the fact that the country has been a free trade country, and that was one method of giving something to agriculture without imposing a tariff. In the legislation of 1929 the general intention was to relieve industry, and therefore, agriculture was relieved of the remaining quarter of the burden, when the charge was abolished.

There are certain properties, including properties occupied on behalf of the Crown, and properties used



for public worship and church schools, which are exempted.

In the case of the Crown, a contribution in lieu of rates is paid. There is some criticism of that system because the valuation for the contribution is made by the treasury and not under the ordinary local valuation system. Some associations of local authorities assert that the valuation made by the treasury is not the same as the valuation that would be made by a local valuation committee.

COMMISSIONER ANGUS: Is there a distinction between Crown property used for commercial or semi-commercial purposes and crown property that is used for other purposes not of this nature?

MR. JENNINGS: It is only property occupied by the Crown, not property owned by the Crown, that is exempt from taxation. There is a phrase in the valuation Act of 1925 about being occupied for purposes of the Crown, but effectively there is no distinction between trading interests and other interests for that purpose. I might say that the question has been raised whether dances held by the territorial army constitute occupation so far as the Crown is concerned. At any rate, the Crown does make a contribution. This contribution, it is sometimes alleged, is not as large as actual taxation would be .

THE SECRETARY: In view of the number municipally-owned utilities, have there been any protests from privately-owned utilities against the tax exemption in favour of the former?

MR. JENNINGS: The municipally-owned utilities are not exempt; the local authority itself pays the taxation. It is only the Crown that receives exemption. There is



a special system for railway hereditaments which are now assessed nationally under the Act of 1930, though the basis of taxation is the same--that is, the rent which the railway would presumably pay if it were a tenant.

THE CHAIRMAN: That goes into the national exchequer?

MR. JENNINGS: No. It is merely a national method of assessment, and then the local authorities levy upon a proportion of that national assessment.

MR. GOLDENBERG: Is there any restriction of the acreage that is exempt in the case of property which is used for public worship?

MR. JENNINGS: No, but it must be actually used -- that is, the church and chapel itself. It does not apply to all the land around it.

THE CHAIRMAN: Is there no taxation on a farm?

MR. JENNINGS: Not on the farm itself.

THE CHAIRMAN: Is there any on the buildings?

MR. JENNINGS: Not if the buildings are used solely for the purposes of agriculture. In the case of a building that is a dwelling, it is taxed as a house.

THE CHAIRMAN: How do the purely rural municipalities get their revenue?

MR. JENNINGS: Well, there are a good many houses, there are village shops and so on, and sometimes small village factories. In any case, all this loss of rates is made up by grants.

THE CHAIRMAN: From the exchequer?

MR. JENNINGS: Yes.

COMMISSIONER ANGUS: The farmer pays a tax on his house but not on his stable?

MR. JENNINGS: Exactly.



THE CHAIRMAN: Nearly all these farms are parts of large estates. Did the releasing of local taxation react in any higher rental exacted by the owner of the property?

MR. JENNINGS: I do not think I can make any positive statement about that. It had been said that that would happen, but I should think it unlikely, because agriculture has been a depressed industry.

THE CHAIRMAN: Has there been any criticism to the effect that if you do not tax unoccupied houses, it enables the owners to keep them out of public use, demanding high rents, without being penalized by having to pay taxes.

MR. JENNINGS: There has been no criticism on that ground, but there has been criticism on the ground that while the house remains unoccupied it still requires a certain proportion of local services, such as police and fire protection, and things of that sort. The London county council made an attempt last year or the year before to secure from Parliament consent for the taxation of unoccupied properties outside the city of London, but Parliament refused to accept the principle.

THE CHAIRMAN: This is a traditional taxing policy in England?

MR. JENNINGS: Yes. The point is that it is the taxation of occupation, so that if there is no occupation there is no tax.

MR. WYNNE: Suppose a landlord has a tenant for the period of only three months, say.

MR. JENNINGS: Then the tax is apportioned.

MR. WYNNE: Precisely?

MR. JENNINGS: Yes, to the number of days.



MR. WYNNE: Is any data available with regard to the difference between the assessed rental value and the actual rent paid, especially in view of the fact that these adjustments are made at intervals of five years?

MR. JENNINGS: The rent paid does not exactly determine the annual value, because the annual value is rather carefully defined.

MR. WYNNE: I realize that; but is there in fact a considerable discrepancy between the two?

MR. JENNINGS: You may assume that the annual value is lower than the actual rent paid. Though this is a notion laid down in 1925, it has taken a good many years to bring the general assessments up to the statutory level, because it meant a sudden increase in 1926, 1927, and 1928, in assessment values for purposes of taxation, and most local authorities hesitated to suggest this sudden increase. They hesitated for political reasons.

MR. WYNNE: Would there be any great variation between particular parcels of property? Suppose you had property A where the rent received was appreciably below the assessed rental value, and another parcel, property B, where the reverse would obtain--or does that exist?

MR. JENNINGS: You might possibly get it, because the general tendency is for the valuation officer to take the measurements of the extent of land and space occupied by rooms; and if two houses are the same there will be the same rateable value, whereas actual rents charged might be substantially different. The rent would be taken into consideration.

MR. WYNNE: Is there much complaint in England regarding inequality of assessment as between particular parcels of property? Is it contended that one is assessed relatively high in relation to income received from it,



while another is assessed at a relatively low rate?

MR. JENNINGS: There is a good deal of complaint on the part of the people who are assessed, but of course, their remedy is to go to the assessment committee and object either to their own or to someone else's valuation. For example, it is possible for me to go to the assessment committee and complain that my neighbour's valuation is too low, though what I should most likely do, would be to complain that my own valuation was too high.

MR. WYNNE: It might be interesting to know something about the way in which the assessors themselves are chosen and their particular qualifications for securing an equitable adjustment as between different parcels of property.

MR. JENNINGS: It is a profession, as nearly everything else is in England, and actually the assessment is undertaken usually by permanent officials of the authority. They are the valuation officers. There are recognized principles applicable--professional standards which are set out in the textbooks which these people learn. They take examinations in the subject and so become technical valuation officers. In the case of the revaluation of 1926 and 1927, immediately after the 1925 Act, many of the local authorities brought in outside experts, that is, special professional valuers who act as advisors to the local authorities, and the actual valuation was done under their control. There are however, recognized methods of assessment which have been approved by the courts for various kinds of properties. For example, in the case of public utilities, there is what is known as the principle of the profits basis, which has developed in relation to railroads and public houses. There are recognized principles which are to be



found in the decisions of the courts as to the method by which the valuation is to be made--the principle on which the valuation is itself based. In the case of private houses, it is done by the process of measurement in conjunction with the determination of rent, if there is rent; and of course there are larger houses that are owned by the occupiers themselves, and in that case, it is done more on the basis of assessment than on the basis of actual rent. It is, in fact, a profession.

MR. WYNNE: Does the lapse of five years between assessments in a period of falling prices, as in the recent depression, create a problem? You may have actual rent that is paid falling in a period of depression. Would the assessed valuation remain the same during that period, thus giving rise to difficulties?

MR. JENNINGS: If there is any difficulty, it can be removed by the individual himself making a proposal to the assessment committee. If he found that his rateable value was higher than the value which he thought it ought to be, he could make a proposal to the committee. But the fall in values that took place in Canada did not take place to the same extent in England, because there has been a shortage of house property especially since the war. It is only in some of the larger houses that there has been any substantial fall, and that was met by individual proposals to the assessment committee.

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THE CHAIRMAN: Is the vacant building site non-taxable in England?

MR. JENNINGS: Yes.

THE CHAIRMAN: That is poles away from the philosophy of taxation which has prevailed in western Canada.

MR. JENNINGS: Yes, I realize that. On the other hand, the vacant building sites are not receiving any advantages.

THE CHAIRMAN: In Winnipeg a lot of these properties are just falling into the city's possession, because the people do not pay taxes.

MR. JENNINGS: Exactly.

THE CHAIRMAN: We have municipalities where 60 per cent of the land has been transferred to the cities.

MR. JENNINGS: Yes. That is why I specially emphasize the point of not getting any taxes at all.

THE CHAIRMAN: The philosophy of single tax took a big hold on the municipal organizations in western Canada.

MR. JENNINGS: Yes.

COMMISSIONER ANGUS: Some land was brought up for speculative purposes.

THE CHAIRMAN: The single tax was supposed to check that. Are there any further questions on this point?

BY MR. WYNNE:

Q. Was there not a period in England before the rating arrangement came in when there were complaints that real property as the basis for local taxation was considerably overburdened, something comparable to the cry that has been so persistent in the cities and other sections of this country for many years?

A. Yes, there has been that complaint. For a very long time there has been the complaint but it has been chiefly put upon the basis which I have mentioned later on. The application of the real property bears very little relation to the taxable capacity of the individual, and therefore



suggestions have been made for a local income tax, or for local additions to the national income tax and various other suggestions. But, the result of the development of the grant system is now only about one-half of the local expenditure does come from real estate, and in any case it is the occupant of real estate and not the real estate itself. It is quite possible and in fact in some towns it does happen that a man pays thirty shillings in the pound. That is he pays 150 per cent of his actual value. The explanation is that in point of fact he is not paying out of real estate at all. It is merely, he is occupying real estate. That is the test of the personal liability; the occupier pays, and therefore, if he does not pay, it is not a question of taking his property, because it is not his; it is merely levying execution upon his personal property. It is a tax upon the occupier, not upon real estate.

BY COMMISSIONER MACKAY:

Q. Does real estate fall into the hands of the municipality by reason of non-payment of taxes?

A. It cannot happen because it is a tax upon the occupier, not upon the estate.

Q. Has there been a period in the past when that has happened?

A. It cannot happen because the real estate belongs to the owner and not the occupier; and though there are many cases where the occupier is also the owner, you merely levy execution upon him, and you go first to his personal estate. You take his bank account or personal property, because the tax is personally upon him and not upon rent.

THE CHAIRMAN: The landlord has to take the rent available if the occupier can manage to pay the rates, which affect the rent.

MR. JENNINGS: Yes, certainly; and in many cases the landlord is, in fact, taxed on rent simply because it saves



a good deal of the cost of administration, especially with ordinary weekly tenancy in more or less slum areas or working class areas where six shillings and sixpence rent a week is paid. It is much simpler to get the tax from the landlord who probably owns the whole street, instead of getting it from each of the individuals who may be in the house one day and gone the next.

THE CHAIRMAN: Supposing he does not pay the tax, what is the recourse?

MR. JENNINGS: Well, they levy execution upon his personal estate in the first instance. He has always got rent coming in, presumably, and therefore they can get it out of rent; they can also get it from the tenant.

BY MR. GRAUER.

Q. Where property has been unoccupied for a long time under the head of high prices, or the other way around, is there an income tax on the owner of the property?

A. There is no income tax, often.

Q. Supposing he sold it, is it sold subject to income tax in the future?

A. Yes, the income from that money.

Q. It would encourage holding land for speculative purposes, would it not?

A. Yes, that is so, and there has been a good deal of criticism on that ground.

THE CHAIRMAN: Will you proceed with your next point.

MR. JENNINGS: If I may I should like to mention the method of assessment, because it is of some importance. It is under the control of a special statutory committee, which is called the "Assessment Committee", created by a scheme made by the county council, the county council not being the rating authority. It is more or less a local tribunal, though it does contain representatives of the rating authority. There is an appeal from this decision to



the Court of quarter sessions, and you may then get a case stated by the court of quarter sessions for the opinion of the high court, on a point of law. Appeal then lies with leave to the court of appeal and, with leave, to the House of Lords. The revaluation is actually made every five years by the rating officer, who submits a draft valuation list to the assessment committee. The assessment committee then hears objections to the draft valuation list, and makes his decisions on the basis of those objections. At any time any person interested may make a proposal for the amendment of the valuation list, either of his own valuation or the valuation of some other person. I had mentioned that the revaluation which is about to take place this year and next year, is not taking place. Legislation is going to be introduced to postpone it. The explanation is that there is a great deal of difficulty in securing equal valuation throughout the county and throughout the country. And the process on the basis of the last evaluation has been going on and it is continuing; so the intention is to get this equal valuation first, and then to have the revaluation, in order to get the principles established definitely.

BY COMMISSIONER ANGUS.

Q. Is this procedure used by the rating authority whenever a new house is built?

A. Yes.

BY MR. WYNNE.

Q. Are the valuation appeals frequent or enormous?

A. No.

Q. One of the criticisms of the rent system of taxation on capital value is that the assessment is unscientific and arbitrary. Is not that also a criticism of the English system? It is true that the assessor is a professional man, but there are no scientific principles and subjective elements enter into the case, do they not?



A. That is, of course, true, but the subjective element is qualified to some extent by the fact there are recognized methods of doing it. There is a rule of thumb submitted, but you do get some kind of balance between one group of assessments and another group of assessments.

BY MR. SKELTON.

Q. Is there an appeal possible from the final decision of the local authorities with regard to the assessment?

A. Yes; it is done by the assessment committee, and then there is an appeal from the assessment committee on the fact as well as on the law?

Q. To whom?

A. From the court of quarter session, which in the case of the town would be the recorder of the town, the judge.

BY COMMISSIONER MACKAY.

Q. What about the local improvements, streets, sidewalks and so on, are they not assessed against the property holder?

A. Yes, but it is not technically a tax. You mean where a new street is laid down, and paved? It is done by means of assessment upon the frontages to the street.

Q. What do you do in the case of unoccupied property?

A. The unoccupied property similarly has to pay. In point of fact it is first taken against the occupier; if there is no occupier, the owner.

Q. That is to say, in the case of land on which there are no buildings?

A. Yes.

BY MR. WYNNE.

Q. That tax may be spread over a period of years, while the improvements are put in year after year.

A. It is not a tax in the technical sense; it is simply a payment for services immediately rendered.



BY COMMISSIONER ANGUS:

Q. Is that a lump sum?

A. It is technically a lump sum payment; most local authorities have power to spread it over.

BY MR. WYNNE.

Q. In this country it is often represented that one of the difficulties with regard to local authorities is that the municipalities each has welfare expenditures, which would necessarily incur a relatively high burden of rates. Has the grant system in England overcome that difficulty, or may there still be a situation where there are districts which are of low ratable capacity and which still have to bear a relatively disproportionate burden of expenditure?

A. I think that is true; but the general exchequer grant system which is mentioned later has to some extent made the position easier, but you still have the variation between the seven shillings and sixpence between the pound tax in Bournemouth and the twenty seven shillings and sixpence tax in Merthyr Tydfil.

BY MR. JACK.

Q. In fact that means the unemployed are being taxed for their relief?

A. To some extent yes; but that is subject to the qualification that the relief system is now taken out of the local government altogether, and is not a charge upon local receipts.

I do not think that I need mention very much about the details of the tax system. I am afraid the statement at the bottom of page 5 and at the top of page 6 is not very clear. In the last line on page 5 the word "federal" should be "general" of course, "federal" being unknown to us. At the top of page 6 the word "thus" should be "then". I am afraid my writing was not very clear. What I was



trying to put in that statement was that there was only one local rate only, one tax only, the tax which is levied by the rating authority and the other authorities who have to get money out of the rates do it by precepting or issuing levies by the rating authority, and the levy is in the form in which the tax is going to be put. That is we put the tax in the form of so many pence in the pound or so many shillings in the pound. The county council issues a levy or precept of say five or six shillings in the pound upon each of the rating authorities in its own area; so that the rating authority may have to levy a rate of five shillings on the pound for its own purpose, the county council may have precepted upon the rating authority for another five shillings on the pound, and there may be added two pence to be spent by the assessment committee or some other body, and so you have the total rate levied by the rating authority of ten shillings and two pence on the pound, of which five shillings go to the rating authority, five to the county council and two pence to the other minor precepted charges.

THE CHAIRMAN: You are not confronted to the extent we are in Canada with unpaid taxes?

MR. JENNINGS: No; there is a small proportion of taxes which are not paid, but not I think to the same extent. What happens is that the local authority gets an order from the court for distraint upon the goods of the occupier, and if the order is returned "no goods" then the local authority does not bother. It hopes to get some of it sometime or other in the future. But, usually the man who does not pay his rates also flits in the night.

BY MR. WYNNE.

Q. What happened during the period of rent restriction that arose? Did it place any disproportionate burden on the owner of property that he was unable to recover a fair return on his property, because rents had come down? Did he



he object to the fact that he was not getting a fair return?

A. Certainly he objected and he still objects, because it is still in force in respect to certain classes of houses; but parliament has accepted the principle.

Q. Would you say the result of that is if an owner sells property he has to take the capital loss because of the rent restriction?

A. Yes, I think that is so, although the restrictions are gradually being released; capital values are gradually going up, although actually the rents are not going up; the landlord was always able to recover the additional or part of the additional local taxation. He, of course, was taxed personally, because it was a low rental house, and he was able to recover some of the increased local taxation from the tenant, with the result that the tenant does know when the rates go up.

Q. You say he could recover; you mean there is flexibility in the rent restriction?

A. Yes; it was added to the rate.

Q. It was, presumably, under these conditions, if the owner of the property raised the rent to correspond with it.

A. Yes, exactly. Then, I have just mentioned one other point. I say the field is not left entirely to the local authorities. The rent which is the basis of local taxation is also income for the landlords. The actual assessment of income for this purpose is based on the annual value of the property. In fact, the inland revenue commissioners have also invariably accepted the assessment made by the local assessment committee; unless they feel it is too low they take the same assessment, and the result is that the landlord pays on the same basis as the tenants. The landlord pays income tax on the same basis, if the landlord is also the tenant. If the house is occupied by



the owner, then, of course, the owner pays income tax on the same assessment as that on which he pays the local taxation.

Then, I have mentioned some of the defects which are recognized to exist in the rate as a tax:

(a) The annual value of the hereditament bears little relation to the taxable capacity of the occupier. For example, a man with a large family has to have a large house, and therefore has to pay larger taxation although he ought in fairness to pay less.

(b) The annual value also bears little relation to the service which the occupier receives from local government, in respect of education and obviously poor relief and so on.

(c) The tax encourages overcrowding, bad spacing, etc.;

(d) It is very difficult to secure uniformity of assessment;

(e) It does not provide an expanding revenue of sufficient flexibility to provide for developing social services.

In respect to the fourth, uniformity of assessment, that is an important question because of the method by which the county council, as I mentioned just now, levies upon these separate rating authorities; since it levies a uniform rate of five shillings in the pound throughout the country it is desirable that the assessment in one rating area should be the same as in the next rating area. That is done by means of a county valuation committee, which has the same power as a private individual to object to any valuation. That is, the county valuation committee can appear before the assessment committee and object to the valuation; similarly there is a national or central valuation committee, which is purely an advisory committee,



which is laid down gradually be a series of representations the principles upon which valuation should be based. The result is that gradually during the last ten years there has been an approach to an equivalent assessment throughout the country; and it is because that method of securing the equivalent has not yet been completed that there has been a proposal to postpone the present valuation.

I mention an attempt in 1888 to transfer certain other taxes to local authorities, including the probate duty and carriage licenses. But that failed because the national policy in 1894, for example, required a change in the system of taxation, and the result was that these transfer taxes were simply replaced by grants.

There was a royal commission on local taxation in 1912. It was generally agreed that the rating system was a bad one, but it was impossible to find any great substitute. The most favoured reform is a local addition to the national income tax; that is to say the local authority would add a few pence to the income tax, and the income tax would then be levied nationally. Apart from the difficulties of location, the treasury objects to the local authority taking what is the main source of revenue in England. In point of fact the last difficulty which I mentioned, that of expanding social services, has been met by a substantial increase in treasury grants.

BY MR. GRAUER:

Q. Regarding new social services, does the stimulus come from the central government. I should think that the local authorities would be very unwilling to expand into the new field of social service when existing ones require more money.

A. Well, one is very diffident about making a generalization. Some of the most important developments have been developed by the local authorities. If they go into a new



field altogether, then, of course, they need sanction from the legislature. If they are merely developing their existing services by new methods of operation, then they can do it without going to the legislature. The system of disposing of refuse which is spreading all over Europe now was originally innovated by the Bradford City Council. That is not a social service, I know; it is merely an example. The first medical officer of health was appointed by special local legislation of the city of Liverpool and was not suggested by the central authority. A good deal of experimentation is done by local authorities, especially through local legislation which they secure from parliament every year. Between forty and one hundred bills expanding the power of the local authority are produced by the local authority.

On the other hand, it is difficult to say completely now, that social service is actually established by local authority. This was the suggestion made by the central government and general legislation was then passed and there is a provision in the Local Government Act of 1929, a kind of promise by parliament, that any addition to the service which the local authorities are expected to carry should be compensated <sup>for</sup> by an increase in the grant. That has been needed once since 1929. During the last year parliament has imposed upon the local authorities the obligation which many of them had adopted already, of providing municipal midwifery service; and accordingly it was promised that a change would be made in the grant system, and it was made in fact in 1937.

THE CHAIRMAN: You might say something about the grants as they exist now.

MR. JENNINGS: I have not taken all the grants, but I have taken certain special ones such as police and public health grants, because they are a pure percentage



grant. That is to say a grant made by the central government varies exactly according to the expenditure of the local authorities. There were certain main reasons for the creation of the grant system. First, there were certain subjects of local administration which were of considerable national importance, and following from it it was felt that it was therefore necessary to lay down what is called a "national minimum standard" leaving the local authorities the development of the service beyond that national minimum, if required.

The cost of police is fairly obvious, and I need not emphasize it. The grant was on the basis of fifty per cent of the cost of pay and uniforms. It has been modified slightly lately. Then there were certain special public health services. It is past history and I need not mention it, because it gives an indication in detail of the ordinary percentage grant system.

Certain special services were established under the influence of the central government in order to combat especially tuberculosis, venereal disease and maternal mortality. The grant in the case of tuberculosis and maternal mortality and one or two other things was fifty per cent. In cases of poverty it was higher; it was sixty-five or seventy per cent, I cannot remember which. It was simply a grant based upon the amount of expenditure, and therefore it had certain defects.

First, the system does not compel the authority to establish the service; it merely induces it to do so. Secondly, the flat rate of fifty per cent may be too high in rich areas and too low in poor areas. The result being, of course, that in Bournemouth they could afford to provide their own maternity hospital without assistance from the central authority by reason of the grant of fifty per cent; whereas in Merthyr Tydfil, a town in South Wales, could not



afford to produce even the fifty per cent. In fact, it has not got the grant at all because it cannot afford the hospital. Therefore, this system was objected to by the treasury because it implied a rising national expenditure without any effective treasury control.

The local authority decides to establish the new service with the consent of the Minister of Health. Of course, the result of these consents being given all over the country is a gradually rising national expenditure. The treasury objected and the system was abolished in 1930. There was a fourth defect which I have not mentioned in the paper; but it compels a close examination of every proposal made by a local authority. No development can take place involving expenditure without approaching the Ministry of Health. The Ministry has to go into the details of the proposal, because every item of expenditure will involve a fifty per cent grant. So that compels a much closer central supervision than is really necessary under a system of local government.

THE CHAIRMAN: The municipality that was lax in establishing health services of this kind would be subject to pressure from the Ministry of Health?

MR. JENNINGS: Subject to pressure, but no effective compulsion. You cannot compel an authority to establish a tuberculosis hospital; you can only tell them they ought to do it.

THE CHAIRMAN: How do you deal with tuberculosis in England? Have you a multiplicity of hospitals or large sanatoria.

MR. JENNINGS: It is usually large sanatoria, perhaps under a system of joint arrangement. For example, the whole of Wales is covered by one hospital, the King Edward VII National Memorial, elsewhere the big authorities have their own sanatoria, and the others have agency agreements. That



is, they send tuberculosis patients to the hospitals.

BY MR. GRAUER.

Q. Is there a suggestion of a national system of treatment of infectious diseases like tuberculosis and venereal diseases on the ground the communities that do not treat these diseases would be the center of infection for others.

A. No, there is now reasonable control. That is, the average local authority can be compelled in substance to take the necessary steps, in point of fact, by publicity arrangements.

BY MR. KRAFT.

Q. Was there not one other reason, particularly the police grants. I think there is a feeling that the grants were made to develop the police system in accordance with a national standard. I think there were many localities that had no police service at all, or those that existed were so poor that the national government felt something ought to be done, and the grants were a stimulus.

A. That is so, particularly in public health services. I am not sure whether the grants to the police came first. I rather think the police came first and the grants after.

Q. About 1838, I think.

A. 1839, the county forces.

BY COMMISSIONER ANGUS:

Q. Have you had any complaints along the lines of the ones we have here, of people moving from one municipality that does not provide these services to another that does provide them in order to get the benefit of them, and thereby imposing an unfair charge on the place to which they go?

A. To a slight extent, not to any great extent. The opposite complaint has usually been the most insistent one. Comparatively wealthy people move out of town in order to avoid paying for the social services.



BY MR. JACK.

Q. Is not there a system other than strictly percentage grants for such things as social services?

A. I have in fact, given education grants, the next one, to show the qualification of the percentage grant system. It is a kind of percentage grant.

Q. In connection with relief in the United States some of the cities worked out a very complex index in order to show the need of various municipalities, --

A. Yes.

Q. -- to give grants on that basis.

A. This is what happened; the general grants in England were based upon what is regarded as essentials. Additional grants are based upon appercentage grant system. I have set out in some detail what I mean by that, from the Educational Act of 1931, and the regulations under with respect to elementary education, giving that as an example.

You will see the Board of Education is empowered to make regulations. That is, a certain flexibility is given, subject to conditions to be prescribed. Payments must not be less than one-half of the net expenditure recognized for the purpose of grant, but subject to one unimportant exception; but it is subject to qualification laid down in the act and therefore binding upon the Board of Education.

(1) No grant is payable in aid of the building, enlarging, improving, or fitting out of an elementary school.

(2) No grant is payable in respect of any instruction in religious subjects.

(3) No grant is payable if the expenditure is regarded as excessive having regard to the circumstances of the case.

Then, I have given an example in relation to elementary education of what is laid down and what I think are the latest regulations. The grant is based upon the average



attendance in the school, the expenditure of the authority, and the product of a one penny rate; that is, the wealth of the area for the year, according to the following formula: thirty-six shillings for each unit of average attendance, plus

(a) Twelve-twentieths of the net expenditures on teachers' salaries.

(b) One-half of the next expenditure on --

(1) Maintenance allowance to children over the age of 14;

(2) Certain expenditure due to the recent reorganization program;

(3) Special services such as the school medical service, provision of meals, special schools for blind, deaf, defective or epileptic children, physical training, play centers, and nursery schools; and

(c) One-fifth of the remaining net expenditure .

From that is deducted the product of a rate of seven pence in the pound. The result is to make the grant just about fifty per cent, as is provided by the statute, of the actual cost of education. There is a qualification in the case of a poor area which enables a slightly increased grant to be given.

BY MR. GRAUER.

Q. To what extent, if you happen to know its detail, are nursery schools, schools for defective children, provision of meals, etc., regarded as standard service.

A. Provision of meals is definitely regarded as a standard service. Special schools are provided by larger authorities, and other authorities make agency agreements, and smaller authorities make agency agreements with larger authorities. The providing of special schools is developing rapidly, and is going to be regarded as a standard service,



yes.

THE CHAIRMAN: That fifty per cent grant is from the central authority?

MR. JENNINGS: Yes.

THE CHAIRMAN: And the other fifty per cent comes under the rates?

MR. JENNINGS: Yes. You will see, there are certain conditions, not of very great importance, except that they compel the local authority to abide by the regulations made by the Board of Education. The Board of Education has very large control over the actual teaching, the substance of the education system of the country.

THE CHAIRMAN: Control is exercised by inspection?

MR. JENNINGS: Control is exercised by inspection and also by examination of property, school buildings and so on.

I mention also the Burnham award, which has to do with school teachers' salaries and is known as the Burnham scale of teachers' salaries. These regulations practically compel the local authorities to pay the salaries on the scale set by the Burnham award or on a national scale; so that there is a general standard of payment for teachers' throughout the country. Then, I have summarized the result of this educational system in this way:

The net result is that roughly one-half of the annual expenditure of an authority on education is provided by the Treasury, and that in return the Board of Education has substantial control over educational policy and practice. Generally speaking, the Board has not obstructed educational experiments, but on the other hand it has dragged along the more reluctant authorities. It will be noticed that there is more attention to local needs, or at least to local poverty, than in the case of the pure



percentage grants. On the other hand certain defects in the percentage grant system remain. Meticulous examination and control of development which will be grant-aided are necessary, and above all, there is a constant increasing charge on the national budget. So that the treasury a few years ago made a suggestion to abolish the percentage grant for education and create a new system; but the educational interests created so much opposition that the proposal was dropped.

THE CHAIRMAN: You judge the percentage grants will continue because it enables a measure of national control?

MR. JENNINGS: That, and also it does provide for increased expenditure on education which is welcomed by most people. Shall I go on?

THE CHAIRMAN: If you please.

MR. JENNINGS: I think I can deal with this much more quickly. There are, I think, two points of interest in these road grants. The first is that Great Britain -- I am speaking now of Great Britain, not merely of England -- did at one time follow the practice which is fairly common, I think in Canada and in the United States of having the product of automobile taxation paid into a special road fund which was to be used for the maintenance and development of the road system. Recently that practice has been dropped altogether. For several years since 1926, I think, the treasury has, in fact, raided the funds, -- that is the phrase we use in England. That is they have taken a definite sum from the fund in aid of general taxation.

COMMISSIONER MACKAY: That is also very common in Canada.

MR. JENNINGS: Then, last year it was finally decided not to wind up the fund but merely to grant to the fund such amounts as the treasurer thought fit. That is, the taxation is not graded to the fund; the amount in the fund depends



entirely upon the amount of taxation the Treasury needs. Motor taxation is therefore simply general taxation.

BY MR. WYNNE.

Q. Was there some discussion upon the general principle as to whether it was necessary to have special revenue for special purposes or not.

A. There was very little discussion about it. It was laid down by the Chancellor last year as a general proposal that it was very undesirable to have taxation going to special funds; that you could not control expenditure unless you had a single fund, and if I remember rightly there was very little discussion on the subject at all. The doctrine was accepted. He mentioned, incidentally, however, that he did not think less money would be available for the development of the roads.

THE CHAIRMAN: Has the gasoline tax in Canada ever been earmarked in any of the provinces?

MR. WYNNE: I think Prince Edward Island as a general rule does not. I think it is a sort of general understanding.

THE CHAIRMAN: I suppose what happened in Manitoba happened elsewhere. The motorists were induced to consent to a pretty high rate of tax on gasoline on the general understanding that the resulting funds would go the maintenance of roads.

MR. JENNINGS: Yes.

THE CHAIRMAN: But it went into the consolidated fund, and it is now recognized as a sort of taxation and the roads gets such money as the government think they can afford to spend on them.

MR. WYNNE: Can you recollect if at the time this road fund was established there was any discussion on the general issue as to the desirability of setting up funds for special purposes? It is a fairly live issue here.

MR. JENNINGS: I am afraid I do not know. I believe



it was established in 1908 in the first instance. I do not know enough about the background to explain whether there was any real discussion. There have been discussions and constant objections to the new practice of raiding the funds, from the automobile associations, automobile clubs and others on the matter of taxation; but I do not think you can say it is a live issue in England.

BY COMMISSIONER ANGUS.

Q. Was there some discussion with regard to radio broadcasting as to the revenue, as to whether it should be exceptional ---

A. Yes, there has been a good deal of discussion because the treasury has taken a proportion of them.

THE CHAIRMAN: It is earmarked for radio with a percentage going ---

MR. JENNINGS: A percentage going to the Exchequer and a percentage going to the Post Office for the cost of levying taxation.

THE CHAIRMAN: It does not go into the consolidated fund and then voted out?

MR. JENNINGS: Technically that is what happens. The amount voted out is a proportion of the amount levied and transferred over to the Radio Broadcasting Corporation.

BY MR. WYNNE.

Q. I wonder if you can refer me to any place where I can find a very good treatment of the methods of motor taxation. I know it is generally on a horsepower basis; but I was wondering if there was any discrimination between very heavy trucks that are damaging to the roads and lighter motor vehicles, or whether it was simply adjusted on the horsepower basis.

A. No there are additional licenses, chiefly under the Road Traffic Act of 1930. There is a book by a man called "Chester" of Manchester which is about a year old



which is otherwise up to date on the control of road transport.  
I can send you <sup>the</sup> /title later, if you wish. It is published by the Manchester University Press.

Q. That would deal with the subject?

A. Yes. That is the one point in regard to the existence of the road fund. The second was that the actual grants were in the discretion of the Minister. In practice he fixes standard percentages, the percentage varying with the nature of the road. Class I roads are the main roads of the country. Class II roads are the roads which are normally used by motor traffic, but are not main roads, and then the extensive roads which are mostly small rural roads and back streets in the towns. Sometimes the percentage would go up very high. In case of a newly created area and a new road which was urgently necessary to relieve traffic congestion the grant may even go up to 90 per cent. Consequently it was decided in 1936, that the major main roads, that the great through roads like the Great North Road and the Great West Road, and Watling Street, the one that goes from London to Holyhead should be taken over by the Ministry of Transport, that is to say, nationalized, though the maintenance is done by the local authority, the county council. Shortly after the whole length, except in the towns, was transferred to the Minister. An adjustment was made with regard to ordinary local taxation, and the grant system as a result of this change.

Then, I set out on the bottom of page 12 certain conclusions as to the experience of road grants, that the percentage grants have in fact provided the most useful means of developing the road system, which would not have been possible to meet the very great development in motor traffic since the war particularly without the grant system; and secondly where the percentage of national interest becomes very high it should be more convenient to



transfer the whole responsibility to the central government.

On the other hand, the allocation of taxes to special funds produced an undesirable limitation on budgetary freedom. Is there anything more?

THE CHAIRMAN: I think your remarks cover that phase of the brief. Will you proceed, Mr. Jennings.

MR. JENNINGS: In the case of housing grants I think there are two points to be noticed. The first is the experiment of 1919 made by Mr. Addis, House building really originated in 1919 because there had been a shortage before the war and there was no substantial building development during the war. Therefore, he suggested and secured the consent of parliament to a system by which the whole expenditure other than the product of a penny rate was paid by the treasury in respect of approved schemes. Actually this was a period in which prices were rising very rapidly. Ineed, it was the boom period. The result of this was to add enormously to the cost of Treasury grants. There was no incentive to the local authority to economize, because in any case any expenditure over one penny, the penny rate, was an expenditure by the treasury and so the system had to be abolished and it was abolished very rapidly in 1923.

The experience of the housing grants of 1919 has since led the treasury to insist that you cannot divorce financial responsibility and administrative responsibility from any kind of local authority. I need not go into the details, but since then the grants which have been made have been based upon definite figures. That is the earlier grants for general buildings which were abolished in 1923 were based upon definite contributions in respect of each kind of house, the grants which remain chiefly in respect to slum clearances and abolition of overcrowding are based



upon the number of persons displaced; that is, the number of persons who had to be re-housed in new buildings. There are certain qualifications. For example, the subsidy is increased where apartment houses have to be built, contrary to the English system, upon sites of high value; and there are certain other cases where the Minister has power to increase grants. The housing grants are rather complicated; therefore I shall leave out the detail unless there are questions to be asked, and come to the subject of the general ~~et~~chequer grants.

THE CHAIRMAN: Have you tests as to the income of people who try to rent these houses that have been built partly by public aid? How do you keep people of higher income from crowding into these cheaper houses?

MR. JENNINGS: That is a matter for the local authority and many have what they call <sup>a</sup> "means test". That is to say they do not let out their houses to persons in the higher income brackets; they insist upon a statement of income first. Of course, that does not stop the people in the house from getting an increase of income and staying there. One or two authorities have tried to make a census of income in order to throw out the people with increased incomes, but it has not been very successful. Where they differ from private landlords is that they prefer, other things being equal, people with large families instead of people with small families. The other landlord does not like children. The local authorities encourage people with children, because they have a housing need obviously.

THE CHAIRMAN: Is there any suggestion of a national relationship between the fact that a man has one of these low rent houses and the wages that his employer pays him?

MR. JENNINGS: I do not think so. There have been



suggestions, rather more than suggestions, of a different kind, to the effect that the rent factor is becoming an important political factor, especially at election times, particularly in the case of London, because the London County Council is one of the very large land owners. Promises were made with regard to a reduction in rent just before the last election; but I do not think there has been any result so far as the average employer is concerned because there are usually several industries in the same town and therefore it would not operate.

THE CHAIRMAN: Take a city like London, what percentage of the class of houses carrying cheap rents would be under the direct control of the municipalities?

MR. JENNINGS: I am afraid I cannot give you any figures at all, particularly in the case of London; but I think it is true to say that there are local authorities which house twenty-five per cent of their inhabitants.

THE CHAIRMAN: I should think the rent factor might very easily be intruded into an election.

MR. JENNINGS: Yes.

THE CHAIRMAN: In a case like that.

MR. JENNINGS: Yes. Of course, London is different from the others because for the most part the development after all has taken place outside the City of London, because London is all built up. The estate of Becontree where much of this has taken place is not owned by the London County Council. The result is that not one local authority is the owner, but another local authority.

BY MR. GRAUER.

Q. Has there been much opposition from private real estate and financial interests or has the problem been so acute as to overcome that.

A. There has not been much opposition because the local authority has primarily been building houses of a



Kind which could not be built economically by private industry.

Q. They recognize that?

A. Yes. There is a tendency for the private builder to come down the scale. Immediately after the war he was building only comparatively large houses. Gradually it has come down to the lower middle class houses; but in very few places has he been able to come down to produce a house which rents for ten shillings a week or less. Ten shillings a week is the recognized maximum working class rent in most places. If they are going to be over that they are not to be built by the local authorities.

THE CHAIRMAN: How far does the rent that is exacted there take care of the true economic rent? What is the margin?

MR. JENNINGS: That again varies from district to district, and any guess I make must be almost a guess because I cannot remember. My impression is that it is something like two shillings sixpence on a house a week.

That is, the house would normally be rented at twelve and six, from that to fifteen shillings, and it is actually rented at ten shillings.

THE CHAIRMAN: Are there ~~over~~ charges of favouritism in admitting people to those houses?

MR. JENNINGS: There have been charges, yes, but not very numerous. There certainly have been charges that these people have gone to Councillor So and So and said "I would like to have a Council house" and Councillor so and so has done his best. Of course, the general Civil Service tradition of the local government service does prevent a great deal of that; but there have been allegations in that respect.

BY MR. WYNNE.

Q. While there should be a margin of two shillings



and sixpence between the rent charged for these houses and the commercial rental value, is it possible to say that the government receives anything to cover its investment without throwing any burden upon the general taxpayer?

A. No, certainly not, except the re-housing of people, and the slum clearance, etc. It is definitely provided by the housing act of 1936 that a contribution equal in amount to the contribution made by the government in any grant shall be made by the general authority, by the local authority. The local authority has a separate housing account, but one in principle which is used for maintenance and that account is intended to balance; but to it has to be paid the government grant and an equal grant by the local authority. The amount of the grant from the general rate account to the housing revenue account is the amount of the loss which the local authority has to bear, and which the taxpayer has to bear actually. I think that is probably it. There is in fact a loss. Part of that amount is used for paying off the difference.

Q. In other words you could not say the two shillings and sixpence, being the margin between the commercial rent and the rent actually paid represents the profit which will otherwise go to a private landlord, and which the government would obtain if it thought it necessary to obtain that amount if these properties were operated as

a public enterprise A. No, I do not think there is that. There is an actual loss to the taxpayer.

THE CHAIRMAN: I think you had better proceed with No. 9.

MR. JENNINGS: The general exchequer grants are attempts to make grants of substantial amounts. You will see that I mention at the bottom of page 15 that the amount is now £46,120,000, but more or less on the basis of need.



The primary cause was the decision to reduce the rates on industry and agriculture in 1928, and carried out in 1930, and accordingly as larger grants became necessary. In addition, the percentage of health grants and some of the road grants and other fixed grants were abolished. The result being a total of over £46,000,000.

The principles adopted were:

- (1) The liability of the Treasury should be fixed at least, for definite periods in the interest of the national budget.
- (2) Ultimately, the system should be based on the needs of the respective areas.
- (3) As this would involve a sudden change of method, the system should be introduced gradually, so as to allow the local government financial system to adopt itself gradually.
- (4) If the £5,000,000 "new money" did not provide against a loss in any county or county borough a small additional sum should be available to prevent loss.

The actual system of allocation depends upon formulae which I thought of sufficient interest to set out in detail in the appendix. That of course, relates only to English conditions.

You will see it is based upon several factors:

- (a) Population.
- (b) Proportion of children under five years of age, because five years of age is the age at which children go to school normally.
- (c) Expenditure on children over five is covered by education grants.
- (c) Low rateable value, which is taken to be the index of the poverty of the inhabitants.
- (d) Proportion of the unemployed men and a qualification in respect of unemployed women during the preceding



three years.

(e) Mileage of roads to population in counties only.

BY MR. GAUER.

Q. Does point D include unemployables; that is people on poor relief?

A. Not on poor relief, the proportion of unemployed insured, I think that is the phrase.

Q. Would not that tend to penalize some local areas with a rather high percentage of people on poor relief.

A. They would not be on poor relief because under the system which has been in force since 1937, under the Act of 1934, no employable person is, in fact, on poor relief.

Q. I am speaking of the unemployables.

A. The unemployables.

THE CHAIRMAN: Are there pockets where the number of unemployables is very high?

MR. JENNINGS: You mean people mostly over the age of sixty, widows and children?

MR. GRAUER: : I mean people who are unable to work for various physical reasons.

MR. JENNINGS: I do not think there are various pockets of those.

MR. GRAUER: I am speaking of those who are unable to work for mental reasons, but who are not in institutions.

MR. JENNINGS: This definitely was a factor inserted on the ground of unemployment and was not intended to take account of the expenditure on general public health services like mental institutions, hospitals, and medical relief and so on, but ordinary poor relief. There was no grant, you see, for poor relief, and in fact there never has been. This system really is not an attempt to find a watertight formula for these things. It took what was regarded as the most important elements and then the actual figures I think were adopted more or less by trial and error. In 1928 they



published a list of expected grants under the formula.

(Page 6690C follows)



This seemed reasonably satisfactory; that is, the poor areas seemed to gain and the rich areas seemed to lose, or rather, since no area was to lose, the rich area gained nothing and the poor areas gained a substantial amount. We take it to be a reasonable formula. Of course, it is not a scientific formula. It was not intended to be scientific.

THE CHAIRMAN: Have there been any complaints about it on the ground that, not being scientific, it is unfair in certain areas?

MR. JENNINGS: Yes, there have been complaints, There was an investigation in 1937, under the Act, and the rural areas particularly suffered; they did not get very much. The rural district councils association objected; the urban district councils association objected to many things. The county council association objected to all other objections; as a matter of fact, everyone objected. Completely new suggestions were brought forward by various people but when the matter came to a conference with the Treasury, it was impossible to secure any kind of agreement except slight modifications of the existing formula, the chief modification being an extension of the weighting for unemployment. It is one of the cases where it is not possible to get absolute agreement.

THE CHAIRMAN: It is now subject to the test of trial and error?

MR. JENNINGS: Yes, and it has not been working unreasonably.

COMMISSIONER MacKAY: These grants do not supersede the other special grants you have been talking about?

MR. JENNINGS: They supersede the public health grants.



COMMISSIONER MacKAY: But not the educational grants?

MR. JENNINGS: No, they are in addition to the educational grants. It is about sixty millions for the educational grant and forty-two millions representing the general exchequer grants, and there are housing grants, road grants and a few minor grants as well. There is a period of transition. The formula was not applied to all towns. At present it applies only to 25 per cent, the rest being distributed to each authority according to its loss in rates of grants under the local government act of 1929. In time, that proportion will be modified so that fifty-fifty will be the division, and in another five years, the formula will cover 75 per cent; by 1951 it will cover the whole. By that time the act will have been substantially amended in any case.

In the case of the county borough, the amount provided is paid to the council direct as a grant, but in the case of the county, this formula and the qualifications I have mentioned give merely a kind of notional amount which is to be distributed to the county; because, out of the county apportionment there are paid not only grants to the county council but also grants to the urban and rural district councils and the non-county borough councils, the grants to these bodies being determined by an entirely different process.

The process is to divide the total of the county apportionments, that is, all the apportionments of the counties; they are divided by two, and that is divided by the total population of the county. The result is to give a number of pence and the population of the borough or district is then multiplied by the number



of pence in the case of urban areas, and by one-fifth in the case of rural areas. The difference between the urban and the rural area is due to the difference in function. The rural district council has not much to do in the way of maintaining streets.

THE CHAIRMAN: Is there a general public acceptance of this system as an improvement upon the earlier one?

MR. JENNINGS: There is a general acceptance of it, but no one regards it as a great improvement. There have been substantial criticisms with regard to loss of flexibility, because assessments for local taxation have been rising consistently ever since the beginning of the last century, and the result, cutting off the increase in rates, in industrial and agricultural properties, has been to limit that increase very substantially, so that the local authorities say they have not made up in grant what they have lost in substance in rates. No one has been able to find an acceptable alternative.

THE CHAIRMAN: It is an attempt to shift <sup>to</sup> the general treasury the taxes which would be borne by land and industry?

MR. JENNINGS: Yes, by the occupier.

MR. WYNNE: If it is true that the grants have not made up the loss in rates, does that mean that the property that is not de-rated is now taxed more heavily than before?

MR. JENNINGS: That is the allegation, but I do not know whether it is true or not; as a matter of fact, I do not think anyone knows.

MR. WYNNE: So that there has been no relief to real property as such, which remains taxed? I am using the Canadian phrase.



MR. JENNINGS: The situation is quite different where the occupier pays, because it is a personal tax upon him and not upon the property. The amount of tax he pays will vary considerably from year to year. It has very little relation to the amount of property occupied, but it varies from one area to another; he may pay seven shillings and six pence in Bournemouth and twenty-seven shillings and six pence in, say, Merthyr Tydfil. I have mentioned the advantages which are alleged to be found in the system, and certainly it has had some advantages. First, there is the fixing of liability; secondly, the local authorities need not go for sanction for a specific expenditure, as they have to do under the percentage system; in the third place, the close examination of proposals is unnecessary except for other reasons, that is, in respect of loans or something of that kind and fourthly, there is distribution in accordance with needs.

COMMISSIONER MACKAY: As a matter of fact there is considerably more local autonomy.

MR. JENNINGS: Yes, in respect of particular services. That statement must be qualified by what is set out in the last paragraph on page 15. There is a general provision in the Act, which I think I have quoted pretty well, when I point out the general power to reduce a grant if a local authority does not achieve and maintain a reasonable standard of efficiency and progress in its public health functions, or maintain its roads properly, or is extravagant.

Actually, that power is not used any more than "Big stick" powers are generally used. What the ministry of health has done is to send around the inspectors to examine thoroughly the public health system of every



authority in the country; and though it has not used the "big stick" provision as a threat; it has in fact suggested delicately, in the usual civil service fashion, that certain changes might possibly be desirable;

and the local authority has usually fallen into line and accepted the recommendation and taken steps to put the proposal into effect.

Next is the question of unemployment. I am not sure how much of this you would like me to go through.

THE CHAIRMAN: This is a rather live question in Canada. Perhaps, you might summarize what you have written here, or comment upon it; it might lead to questions which might elicit information that would be of value to us.

MR. JENNINGS: Well, the pre-war system, that is to say, the system that prevailed before 1911, was the only one available for relief of the unemployed or the poor, and that was the Poor Law system. The Act of 1905 did enable the local authorities to establish employment committees but, except in London, that was an absolutely dead letter.

When the Liberal government came in in 1906, it effected many changes with the intention of taking persons out of the Poor Law. It established employment exchanges in the first instance, and then proceeded to provide schemes for old age pensions, national health insurance, and unemployment insurance, all these being administered centrally and not locally, but all at that stage being on a small scale. So that the Poor Law remained the main resource of the unemployed.

There was, of course, very little unemployment during the war until unemployment insurance was extended in 1920. The insurance system was intended to be strictly insurance, thought in fact, subsidized by the state; that is to say, there was a contribution by the employer,



a contribution by the employee and a contribution by the state. But the post-war depression, and political conditions in any event, made it necessary to provide what was called the transitional benefit. That phrase simply means a provision for the transitional period between the unemployment insurance period and the Poor Law period, though in point of fact it quickly lost that connotation and became a new form of relief by the ministry of labour instead of by the local authorities.

The fundamental difference was that in the case of the transitional benefit there was no inquiry into the individual's needs or his income. Both unemployment insurance and the transitional benefit applied only to insured persons, and until recently there were large sections of the unemployed, including all agricultural workers and all domestic workers, who were not in any insured occupation, and there were others who had, in fact, exhausted their benefit rights, besides which the Poor Law authorities sometimes had to grant relief even to an insured person for the reason that the insured benefit was not enough.

I have mentioned the power of the minister of health in 1926, to supersede the Poor Law authorities. It was in fact exercised in three cases, and that was one of the reasons they wanted to abolish the Poor Law authorities in 1930, and transfer their functions to the general local authorities. The real difficulty was the financial one, due to the depression of 1929-33, which sent up enormously the cost of the transitional benefit. And so the national government decided in 1931 that in future the transitional benefit should be granted only upon proof of need; that is to say, there should be some kind



of investigation such as is made under the Poor Law. The function of the investigation was, of course, exactly the same as that performed by the Poor Law officers--the relieving officers--and in any case the system had to be established quickly, and so the function of investigating needs was transferred to the local authorities, the Poor Law authorities. The cost was not wholly from national funds, that is, the ministry of labour provided the money which was paid out by the employment exchange, but the inquiry was made by the Poor Law officers and the decision was taken by a committee of the Poor Law authorities. That committee, however, had no responsibility for the expenditure, the expenditure being entirely a national one.

That was entirely contrary to the treasury principle that financial responsibility and administrative responsibility should not be divorced. It was intended, of course, to be temporary and as soon as the depression was nearing an end, as soon as the treasury had time to do it, a new scheme of administration was developed; that is to say, in place of the transitional benefit, there was established a separate system known as unemployment assistance.

We have therefore two national systems--unemployment insurance, which is based upon the principle of strict insurance, and unemployment assistance which has no basis at all in insurance. This transfer from the Poor Law authorities to the unemployment assistance board was done with the consent and at the request of the local authorities themselves, who disliked this function of administering relief even when the actual cost did not fall upon them. They took the view that unemployment was essentially a national problem and that there must be



central financial responsibility, and therefore it followed that there must be also central administrative control.

It was believed that by nationalizing the system you did not necessarily prevent that flexibility which is necessarily available where you have a local system of responsible administration. The functions transferred to the unemployment assistance board included the function of relieving not only persons in the insured classes, who were capable of and available for employment, whether they were in insured industries or not; but in point of fact, the board had not taken over that second group of people from the Poor Law authorities in 1935, when there was an outburst against the whole system. When the board was established at the end of 1934 regulations were made by the board and approved by Parliament, and naturally they made substantial changes in the administration which formerly had been in the hands of the local authorities since 1931.

The local authorities had varied their policies very considerably. Most of the labour councils, for example, had been much more favourable to the persons assisted than many of the other councils had been, and in any case, there were variations all over the country. The result of the new system was that many people gained, but at the same time, many people lost. Those who gained said nothing, and those who lost made a fuss, with the result that there was an outburst in Parliament when the estimates of the unemployment assistance board were being put through by the Minister of Labour who was compelled to agree to a suggestion to the board--because he had no power of control--that some change should



be made.

The actual legislation was introduced suspending the full operation of the new system. The suspension took the form of giving to persons who had gained under the new system their gains, and of maintaining to the people who had lost what they had before, so that everybody gained.

That system was in force from 1935 to 1937, when new regulations were approved by Parliament and by this time the depression was over, at any rate for practical purposes, and so no difficulty has been felt during the last year in the transfer of all unemployed persons who are capable of and available for work but not receiving insurance benefit from the local authorities. No difficulty, I say, has been felt in that transfer of such persons to the unemployment assistance board. The result is that we have in England three systems of relief, which, perhaps, I might discuss briefly.

There is the insurance system, which is one of pure insurance. A man proves that he is unemployed and that he is insured, and he takes out his insurance benefit. Then we have the assistance system, which is available where a man has run out of insurance benefit, or has never had it, which involves going to the officer of the board, in which case there is an investigation of his means. Then there is the Poor Law system, which applies to persons who are not capable of and available for work, or persons who need something more than financial assistance, such as medical attention or something of that kind.

MR. GRAUER: Who draws the distinction between these categories?

MR. JENNINGS: The decision is taken by the officials of the Unemployment Assistance Board, but there is a right of appeal against that decision to the appeal tribunal. The public assistance authority has the right



to take a case of that kind to appeal. There have been many appeals because there has been a good deal of criticism. Actually, the decision as to when a person is capable of and available for work is often different from the decision which the ministry of health anticipated before the bill was passed. As I say, an appeal may be taken to the appeal tribunal, which consists of three persons. The Chairman is usually a lawyer, the second person is appointed by the Minister of Labour, and there is a representative of the ministry. As a matter of fact, most decisions are taken by the chairman, who is independent.

THE CHAIRMAN: A person comes before the authority and asks for unemployment relief and the official decides whether he is a Poor Law case and should go to the guardians.

MR. JENNINGS: Yes.

THE CHAIRMAN: And he can appeal?

MR. JENNINGS: Or the Poor Law authorities can.

In point of fact, it is usually the Poor Law authorities that do appeal, because people as a rule are afraid of appeals of any kind even when there is no cost involved.

THE CHAIRMAN: The second class is in the hands of officials who are entirely different from the insurance officials?

MR. JENNINGS: Yes.

THE CHAIRMAN: In other words, there is a distinct cleavage?

MR. JENNINGS: Yes, they are under a different authority, though the payments are made through the employment exchange. A man has to register there, and he is therefore known to the employment exchange, and he can be offered employment, if it is available.



THE CHAIRMAN: With respect to the second class of relief, are the decisions made by officials appointed by the central authority, or is the official who makes the decision assisted by some sort of local advisory committee?

MR. JENNINGS: He is assisted by a local advisory committee, but the decision is his own. The advisory committee does not deal with individual cases, but with cases presenting special difficulty. It has been found useful in cases where a man is capable of employment but needs some kind of treatment--not necessarily medical treatment; it might be psychological treatment--or where he needs some kind of training. Very often the local committee is in touch with local charitable bodies and is therefore in a position to put the applicant in touch with the appropriate body. They also recommend general standards, for example, as to rent. The rent factor necessarily varies from district to district, according to prevailing standards, and the standards are in substance laid down by the advisory committee, so the decision rests with the employment officer.

THE CHAIRMAN: Has there been created a new class of public officials, to be found throughout Great Britain to deal with this new responsibility?

MR. JENNINGS: Yes; most of them are transferred from the Poor Law authorities.

MR. GRAUER: They are, on the whole, people who came from that authority.

MR. JENNINGS: Not necessarily, but in many cases.

COMMISSIONER MacKAY: Is the chairman a fulltime official?

MR. JENNINGS: Do you mean the chairman of the appeal tribunal?



COMMISSIONER MacKAY: The man who makes the decision as to whether an applicant should go to the Poor Law guardians or otherwise.

MR. JENNINGS: That is to say, the chairman of the appeal tribunal. No, he is usually a local barrister and he sits one or two days a week. The system is simply copied from that of the court of referees on unemployment insurance. There again, you have appeals to a similar tribunal, and often the chairman of the appeal tribunal is also the chairman of the court of referees.

COMMISSIONER MacKAY: Is this individual under the civil service law?

MR. JENNINGS: No, he is practically a judge.

THE CHAIRMAN: The original decision is made by an individual official?

MR. JENNINGS: Yes, and he is of the same status as a civil servant.

THE CHAIRMAN: He is an employee of the employment assistance board?

MR. JENNINGS: Yes.

THE CHAIRMAN: And that is a national organization?

MR. JENNINGS: Yes; in fact, he is a servant of the board. The chairman of the appeal tribunal on the other hand, is for all practical purposes a judge. He receives a fee and not a salary; he gets a fee for the day.

THE CHAIRMAN: In fact, except for the unemployables the national exchequer has been carrying the burden of unemployment insurance?

MR. JENNINGS: Yes.

THE CHAIRMAN: From the time the insurance act broke down?

MR. JENNINGS: Subject to this qualification, that a good many people were not in the insured classes and therefore, until 1937, were still relieved by Poor Law.



THE CHAIRMAN: The Poor Law looked after more than the unemployables?

MR. JENNINGS: Yes. There was a substantial section of unemployed people and their dependents and they received poor law relief until 1937; and even now there are people who are still classed by the Poor Law authorities as employables though they are classed by the unemployment assistance board as unemployables; so that you have still an employed list appearing in the ministry of health statistics though not in the statistics of the ministry of labour.

THE CHAIRMAN: Are the funds for the Poor Law raised locally?

MR. JENNINGS: Yes; there is no national contribution.

MR. GRAUER: Is it true to say that a certain number of these local advisory committees--or rather, a certain number of the members of these committees--are automatically members of the councils?

MR. JENNINGS: Not automatically in this case, though as a matter of fact the same people do practically everything. They are also, usually, Justices of the Peace. What happened when the committees were first formed was this. The Minister asked for suggestions from the local authorities, and they appointed some of their own members together with some other persons they could think of.

MR. GRAUER: Has that system satisfied the criticism that the unemployment assistance officers were not conversant with local conditions?

MR. JENNINGS: I should prefer to say that there has been very little criticism recently, but that is due primarily to the fact that the depression has largely come to an end. It is due to the rearmament programme. There have been few criticisms during the past year.

THE CHAIRMAN: But you would not hope that it would continue to work as satisfactorily if the depression returned



in all its severity.

MR. JENNINGS: I doubt whether it would. At all events, the result has been to establish a completely central organization requiring substantial overhead charges and involving difficult questions of collaboration between the Minister of Labour and others.

MR. SKELTON: What happens in the case of a chap who refuses to accept employment when offered, and who is receiving unemployment assistance?

MR. JENNINGS: He is handed over to the Poor Law authority and, provided the appeal tribunal agrees, he is in fact treated more or less as a penal case. He is put in the work house.

MR. SKELTON: Suppose his ground is that the employment offered is not exactly of the type for which he is fitted? Is there any dispute in such a case?

MR. JENNINGS: That is a question which is settled by the appeal tribunal.

MR. GRAUER: I suppose it would be true to say that no system of unemployment relief has been free from criticism.

MR. JENNINGS: Certainly not in England.

MR. GRAUER: What is your opinion of the present system? Have you come to any conclusion as to whether it is more or less effective than the previous one?

MR. JENNINGS: It is better than the system we had in 1931, but I do not think there is any case for the maintenance of a special unemployment assistance board; it merely duplicates costs. The work could be done equally well by a subdivision of the ministry of labour. The notion that it was completely disassociated from politics was shown to be false in 1935 and would be shown to be false again if a depression came. The only difference in



having an independent board is that the minister is not technically responsible for the individual decisions; but even so he gives information about individual decisions. You can still ask in the House of Commons why John Smith of Barrie/<sup>was</sup>refused unemployment assistance by the board, and the Minister will answer that he understands from the board that such and such is the case. The result is practically the same as if he were personally responsible.

MR. GRAUER: Do you think there are degrees in which the political aspect appears?

MR. JENNINGS: There are of course degrees, but the difference is not very great; it is not worth the cost involved and the difficulty of collaboration.

MR. GRAUER: Your opinion is that the present general arrangement is a good one, but that the unemployment assistance board should be made a subdivision of the ministry of labour.

MR. JENNINGS: On the whole, yes.

COMMISSIONER MacKAY: The same officials handle unemployment assistance as handle unemployment insurance?

MR. JENNINGS: No, they are different officials.

COMMISSIONER MacKAY: Do you think the same officials could handle both?

MR. JENNINGS: No, because unemployment insurance is practically automatic; you go into the exchange and register, and when you satisfy the statutory qualifications, you get your money, which is determined by the regulations. In the case of unemployment assistance, however, it is not automatic; it involves the officers going around to peoples' houses and asking awkward questions. The process of payment however, is the same; it is made by the employment exchange.

THE CHAIRMAN: The question of unemployment relief is becoming an acute one in Canada. There is pressure to have unemployment relief made a federal matter and there are two suggestions. One is that there would be



a more economical administration if the federal government put up the money and the local authorities continued to administer. It is claimed--it has been stated to us in many places--that that would be more economical than having a Dominion official in the locality administer the regulations. Would you care to express an opinion on that?

MR. JENNINGS: I would only express an opinion as to how it would operate in England. That would mean, I take it, the system that prevailed between 1931 and 1934, where the cost was met by the central government and the administration was under the control of the authorities. The general impression was that the system worked reasonably well, but that was due partly to the atmosphere of the depression, and there is not the least doubt that many local authorities, public assistance committees, because they had no financial responsibility, were much more generous to persons coming before them than they would have been if they themselves had been compelled to raise the money, and had been responsible for the resulting increase in taxation.

COMMISSIONER ANGUS: Would their responsibility extend to accepting or rejecting a case, or did they fix the scale of payments?

MR. JENNINGS: It was fixed by the ministry of labour, but they determined what the means of the individual were, and how much he should receive, up to the maximum fixed--the maximum unemployment insurance benefit.

COMMISSIONER ANGUS: Would the cost of living be different in different areas?

MR. GRAUER: To what extent does such a variation exist in Great Britain? Are there regional differences



in the cost of living?

MR. JENNINGS: Not to anything like the extent of the differences here. Differences exist primarily in respect of rents, which vary considerably all over the country. But feed and clothing do not vary very much as between one part and another. There are minor differences.

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COMMISSIONER ANGUS: If in England it would be possible for the local people to put the rates up or down according to local conditions, that would add a great deal of difficulty to one authority administering the funds provided by another.

MR. JENNINGS: Yes. In the East End of London and in South Wales I have no doubt the rates would have gone up very considerably. Do you think that is enough about unemployment?

THE CHAIRMAN: I think that covers the ground pretty well.

MR. JENNINGS: Then, there is the last point, which I think is of some considerable importance. That is for all practical purposes the borrowing powers of local authorities are under the control of the Ministry of Health.

It is true that the national parliament in local legislation gives direct authorization to borrow money but it does not do that without the consent of the Minister of Health, in any case, and so I think we can take this as being the complete exception. The only exception is a temporary overdraft with respect to taxation, which will come in the course of the current year. That is an overdraft from the bank. That is the only case in which no consent is required, and also it is the only case in which English local authorities have power to borrow their revenue as distinct from capital expenditure. The reasons for exercising the control are several. In the first place the stocks of the larger authorities are trustees securities, and therefore the Minister has to protect those who are interested in the trusts.

In the second place it is directed to the maintenance of the credit of the local authorities. No local authority in England has ever defaulted in any of its debts, and there



are several rules laid down in the Local Government Act of 1933 for the repayment of every loan by means of a sinking fund. Where special loans are raised under special statutes the Ministry does lay down the manner in which the loan must be repaid and the nature of the sinking fund. The result is that local authorities stock in England has a very high reputation. Sir Ernest Simon who was Lord Mayor of Manchester for several years has pointed out that on occasion Manchester could borrow at the same rate or at a slightly lower rate than the British Government. An explanation of the slightly lower rate could be given quite easily. I think it depends upon the actual <sup>accrued</sup> interest. But, in any case the difference between the local authority stock and the government stock has never been more than one and a quarter per cent, and I am sure is largely due to the fact that borrowing is subject to such close regulation. The loans which have been made at three and a half per cent stood at 101 and in some cases 101 1/2 and 102. Recent loans were very heavily over subscribed. The interest rates are quite low in England now.

This control over the borrowing power is not only a control over the authority to borrow; that is, over the issue of stock or over the kind of borrowing, it is a general power over capital expenditure in substance, because it is true the local authority can proceed with capital expenditure out of its rates, in point of fact it usually requires to borrow money, and every time it requires to borrow money it has to get ministerial sanction and that sanction relates not merely to the financial status of the local authority but to the details of the schemes which the local authorities put up; whether a better scheme can be devised; whether the local authority needs to spend the money on this service rather than on some other service, and also whether the authority can afford the



money.

BY MR. SKELTON.

Q. Does that mean in effect the whole budget of the local authority is reviewed?

A. Yes, the budget, Also, in respect of the loan charges, as to whether the local authority will be able to meet the loan charges. The figures of the budget are in any case, reported annually to the Ministry of Health. They are published, in fact, in the annual local taxation returns, so the Ministry of Health has a very detailed analysis of the budget of the local authority at hand already.

Q. Does it prescribe a uniform accounting method of reporting?

A. It does, but it is not always successful. You may prescribe all sorts of details, but you still get the personal element. Some persons put a figure under one head and another one under another. Some items of estimates are divided in very close detail under separate headings. You know exactly how much the cost of elementary education is, and how much secondary education and also rent charges.

Q. In practice does it occur that the budget may be substantially revised by the Ministry of Health when a local authority wants to borrow?

A. No, the only thing that can happen is that the Minister will refuse to allow the local authority to borrow.

Q. In that case does the local authority revise its budget along the lines suggested by the Minister of Health?

A. I cannot tell you of any case in which it happened. It could happen. The complete result is the Minister refuses to allow them to borrow.

THE CHAIRMAN: The central authority has such expert knowledge at its disposal that they have no



difficulty in exercising this control.

MR. JENNINGS: No. It is more than that. Very often the official and the Chairman or the Mayor of City will go up to the Minister and ask the Ministry for advice on questions over which he has no control whatsoever. It is often a local question. The town clerk will ask the local section of the Ministry what they think about a certain proposal. The ministry will reply the Minister has no power to decide this question to give his opinion, and then he gives it.

THE CHAIRMAN: The situation here is wholly different. That control would have to be exercised, and to the extent there is control it is exercised by the provincial authorities.

MR. JENNINGS: Yes.

THE CHAIRMAN: We had a presentation from the Montreal municipality authority, though I think they were speaking for the Union of Municipalities, raising the question whether the provinces, having regard to their revenues and equipment were competent to exercise control over the cities. There is a certain amount of that control over municipalities borrowing through local government boards but it has no real relation to the control which you are exercising in Great Britain apparently by universal consent.

MR. JENNINGS: I would not say it is exercised, so far as this power is concerned, by universal consent. There is always a certain amount of criticism of the actual control, but the Ministry has stated its policy perfectly definitely. That is a summary of my recollection of the evidence given by Sir Gwilym Gibbon, the Deputy Secretary of the Ministry of Health before the Royal Commission of 1925 where he said quite frankly that they did not consider only the financial question but they considered generally the nature of the proposal which was made, whether it was desirable or undesirable, or



whether some other proposal might not be the better and more fitting to the circumstances of the particular town. That is the general power of control in respect to all capital developments.

THE CHAIRMAN: Gentlemen, it is nearing one o'clock. We may have time for a few general questions if anyone desires to ask them.

COMMISSIONER ANGUS: The municipalities, the local government bodies, in England are not burdened with a big charge for unemployment relief which must take precedence over the paying of interest on debts. I suppose that is one of the big differences between the municipalities in England and the municipalities in Canada.

MR. JENNINGS: Yes, but of course, until recently, during the depression, the charge for poor relief was very substantial. It did not take precedence, of course, over debt charges.

COMMISSIONER ANGUS: Not even in fact?

MR. JENNINGS: No.

BY MR. GAUER:

Q. England is an important exporting country. Do you run into criticism to the effect that she is being penalized in international trade because of social services and social insurance?

A. The argument is always made, of course.

Q. It has no effect, apparently?

A. No political effect.

Q. To what extent is it made by associations of manufacturers and other important bodies?

A. It is made constantly by such bodies that it adds considerably to their cost of production and therefore the prices which they can charge.

BY MR. SKELTON.

Q. This is a very general question. In view of the



substantial shift from taxes to grants, and the exemption of certain industries in recent years, has not that had a very extensive reaction on capital values and rentals?

A. I think it would be very difficult to answer that question; I do not think there has been much change.

Q. Would one not normally expect a shift from a tax to a grant to be reflected in a capital appreciation?

A. One would; but the real changes in value have taken place because of changes in economic conditions. That is, the affect of the depression and the coming out of the depression in the last couple of years have been much greater and more noticeable than comparatively minor changes in the local taxation system.

Q. If the effect of these changes were introduced just at the beginning of the down-swing would they have any effect in obscuring the probable capital effects?

A. Very likely it has, but the down-swing was so great that it would very quickly extinguish the result of capital appreciation.

Q. It probably eased the position of the landowner -- or industry, but only very slightly because it was a very small item in overhead charges.

BY MR. WYNNE:

Q. Was the effect of that shift mostly on going industrial concerns, agricultural property, land and house property? If it eased house property you probably would not give it.

A. Yes. Even so, the change was taking place and at the same time there had been a very considerable return in the capital value of house property in recent years, very largely because of a dropping off of a demand for house accommodation. Population is not increasing very rapidly, and on the other hand there has been an immense amount of house building; so the capital values have been changing for other



reasons.

BY MR. GOLDENBERG.

Q. Is it correct to say that the assumption of new services by the national government and the extension of the system of grants is in part a recognition of the fact that local taxation is not sufficiently flexible or elastic to meet modern needs?

A. That is the point that is constantly made by the associations of local authorities, and they usually insist that whenever a new service is established by legislation that there shall be corresponding grants. In 1927, for example, they insisted that the new maternity service or midwifery service should be grant-aided. On the other hand, when the government took over the trunk roads they also insisted that a modification should be made in the grant system for that reason and because they were taking over a liability and in the negotiations over air raid precautions the treasury insisted no matter how much it was a matter of national policy, nevertheless there should be some contribution from local funds. Air raid precautions in some instances necessarily are operated as local charges. Fire and sewer services and so on obviously must be operated during an air raid, and must obviously be a local authority service. The treasury therefore insisted that the local authority must pay a part of the cost. The local authorities wanted the whole paid out of national funds on the ground it was a question of national defence policy; but because of the treasury insistence that there must be some incentive to economy the result has been a system of percentage grants, varying a little in accordance with the general exchequer grant formulae; that is varying from about 60 per cent in some cases to 75 per cent in other cases.

Q. It is correct to interpret that as a recognition by the central government that the sources of local revenue



are relatively inelastic?

A. Yes.

BY COMMISSIONER MACKAY:

Q. Has there been much question by local taxation areas about wealthy men moving to escape the cost of poor relief?

A. Yes. In the case of poor relief there was a general principle established in 1924, if I remember rightly, in the case of London there should be one common poor fund from which all poor law authorities should draw their in 1929 it was part of the argument in favour of the abolition of the Boards of Guardians that the result would be generally larger areas of administration and, therefore, a much wider spread of the cost of relief; so that at the present time the county area is the area for poor law administration. In respect of other services the primary problem has not been to extend the area any wider but to modify the boundaries a little so as to make certain that persons who were taking benefits from the town were in fact also paying local taxation.

Q. To prevent the escape of the richer taxpayers?

A. That was really the cause of the appointment of the Royal Commission on Local Government in 1925.

BY MR. GRAUER.

Q. What party is responsible for putting up new buildings in the field of mental hygiene? Is that a local responsibility?

A. Yes. The Borough Council and I think the County Council.

Q. The central government does not share in the cost of the construction?

A. No, there was a grant for mental deficiency before 1930 -- I am not quite certain. In any case, there is no grant now.



THE CHAIRMAN: Gentlemen, it is one o'clock. We have had a very profitable morning. I note in the memorandum that Dr. Jennings says he will give a supplementary memorandum if desired by the Commission. That suggestion will be considered by our experts, Dr. Jennings, and if there is any particular point upon which they desire further information, no doubt the Secretary will communicate with you. Meanwhile, I should like to express on behalf of my fellow commissioners, and the gentlemen here, our appreciation of the value of the testimony.

The meeting will now adjourn.

(The Commission adjourned at 1.00 p.m.  
until 10.30 A.M., Monday, February 25,  
1938, in Toronto, Ont.)

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